




City of Albuquerque

Martin J. Chávez, Mayor

Interoffice Memorandum

August 15, 2003

To: Vincent E. Griego, President, City Council
From: Martin J. Chávez, Mayor 
Subject: City of Albuquerque Approved Budget FY/04

I am pleased to submit the Approved FY/04 Budget. This two-volume document contains a financial and performance plan. The FY/04 budget is a basic budget for a difficult year, focusing on the most fundamental of government services. Albuquerque is not alone in facing difficult times. In a National League of Cities survey released earlier this year, 75% of city officials say they are less able to meet financial needs this year compared to last year, and the same proportion expect next year to be worse. Public safety spending is increasing in 80% of the cities reporting, in part due to homeland security efforts. One third of large cities report staff layoffs.

Together the Council and the Administration has produced a balanced budget without increasing taxes or laying off employees. This budget reduces full time staff by 20 as compared to the Approved FY/03 Budget. Although there are filled positions scheduled for deletion, the employees are moved into funded positions, to avoid lay-offs.

This budget reflects our commitment to public safety. The Albuquerque Police Department budget is increased 7.2% over last year, comprising 26% of the total general fund budget. Funding is included for two police cadet classes and two lateral classes, as well as enhancing the use of public service aides to free uniformed officers for patrol duties. It fully funds, for the first time in recent years, street crossing guards and community service aides.

The proposal includes full funding for the Fire Department at existing strength, plus it includes a cadet class to staff new Station 21 expected to be on-line in August 2004. For the first time, the Fire Department will also have a grant-writer on staff to seek additional funding support.

The move to the Metropolitan Detention Center was completed June 13, 2003. The savings projected two years ago from consolidating into a single jail facility are anticipated to be realized in FY/04.

Although the proposal does not include a general salary increase, it does hold City employees harmless from the increase in health and dental insurance premiums by increasing the City's share of the premium from 80% to about 83%.

To compensate for these spending increases, one mill of property tax revenue is moved from capital to operating funds. Additionally, the reserve policy has been changed. The General Fund operating reserve will be set at 1/12 total appropriations (a higher standard than the old policy of 5% of recurring revenue), and the reserve for future appropriations is eliminated.

Bio-Park entrance fees are unchanged, but museum entrance fees are increased by \$1 for adults only. There is a restructuring of the adult sports and tennis programs. To protect the City's extensive investment, the cost of water for parks and open spaces is fully funded. The successful latch-key and child development programs will implement modest fee increases resulting in an additional \$486 thousand in revenues. A low-income spay-neuter program is funded at \$200 thousand.

In a move to counteract continuing soft economic conditions, the FY/04 budget includes funding for increased staffing in the Office of Economic Development to stimulate economic vitality in the community and to attempt to create more and better jobs in Albuquerque.

To compensate for the more than 308 positions that have been eliminated or frozen from City government since FY/02, the budget includes reallocation of existing employees to maintain customer service and necessary support levels. Staffing increases are proposed in some departments to reduce the cost of excessive overtime.

In summary, the FY/04 budget represents a conservative and fiscally responsible approach to the financial difficulties presented by the economy, while still being responsive to the fundamental needs of City residents.

**CITY OF ALBUQUERQUE
FISCAL YEAR 2004
APPROVED BUDGET**

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**FY/04 OPERATING BUDGET
PREFACE**

FY/04 OPERATING BUDGET FINANCIAL PLAN

PREFACE

Albuquerque's operating budget is prepared annually for the General Fund, six enterprises, and several special revenue, internal service, debt service and project funds.

The budget cycle begins in October when the Office of Management and Budget (OMB) prepares the annual Five-Year Forecast. National, regional, and local economic trends and pertinent issues are accumulated and considered. A revenue forecast committee of local economic experts identifies relevant factors to employ in the forecast. Expenditure projections are prepared incorporating estimates of inflation and debt costs. An examination is made of capital improvement projects expected to become operational over the forecast period and their likely operational costs. Commitments already made to unions and any known or anticipated changes in operations are factored into the forecast. The forecast is presented to Council for their review and consideration in January. Council reviews and suggests changes. The Five-Year Forecast is the base for budget preparation.

The OMB issues budget instructions in December. A salary forecast is completed for review by departments. Expense data is accumulated at the current level and totals are reviewed to determine if other actions or changes in budget instructions must be made in order to achieve a balanced budget. Budget hearings are held with the Chief Administrative Officer (CAO), Council staff and department staff. During those hearings departments may request program expansions or offer plans for reducing costs. At the same time performance measures are being updated based on the anticipated resource allocation.

City Charter requires an operating budget to be formulated annually by the Mayor in consultation with the City Council. The budget process is divided into two parts. The first part, comprised of five enterprise operating funds, one special revenue fund, and five debt service funds is sent to Council on March 1. The remaining funds are delivered on April 1. Council holds a minimum of three public hearings and approves the budget as proposed or amends and approves it within 60 days.

Once the Mayor and CAO approve the Mayor's Proposed budget, a document and several pieces of legislation are prepared and sent to Council. Council holds public hearings, for community comment and department presentations. The budget is approved or amended and approved. The legislation is sent to the Mayor for signature or veto. The Mayor has line item veto authority on appropriation legislation. A veto may be overridden by a minimum of six votes from the nine Councilors.

Appropriations are at a program strategy level, the level at which expenditures may not legally exceed appropriations. Budgetary control is maintained by a formal appropriation and encumbrance system. The Mayor has authority to move program strategy appropriations by the lesser of five percent or \$100 thousand, provided the fund appropriation does not change. Appropriations may be made or modified during the year by a legally adopted resolution. With the exception of project funds, appropriations revert to fund balance to the extent they have not been expended or encumbered at fiscal year end.

Budget data is prepared consistent with the City's basis of accounting, except for depreciation and amortization in the enterprise and internal service funds. Transactions are recorded in individual funds and each is treated as a separate entity.

Governmental funds utilize the modified accrual basis of accounting. The modified accrual basis is reported in the following manner: Revenues are recorded when they become measurable and available to pay liabilities of the current period. Revenues received more than 30 days after the fiscal year end are not considered available and are recorded as deferred revenues. Expenditures are recorded when the related fund liability is incurred, except for (a) principal and interest on general long-term debt, which are recorded when amounts have been accumulated in the debt service fund for current debt service payments on July 1 in the following year and (b) the non-current portion of accrued employee benefits, which is recognized when it becomes current.

Enterprise and internal service funds are on an accrual basis in the accounting system. Budgeting for those funds follows the accrual basis of accounting where revenues are recorded in the accounting period in which earned, and expenses are recorded at the time liabilities are incurred. Depreciation and amortization, although expensed in the accounting system, are not a budget item in the City budget.

Albuquerque provides traditional services such as public safety, culture and recreation, public works, streets, water and sewer services and refuse collection. In addition, the City operates parking facilities, a transit system, an international airport and a reliever airport, correction and detention facilities, and a housing program.

Albuquerque started moving toward performance based budgeting in the FY/01 budget. In FY/04, history of actual and estimated actual expenditures is based on the City's eight goals for comparative purposes. The Budget is now comprised of two parts. The two plans are organized and presented to the governing body to use during budget deliberations. The first is the Financial Plan, which is the traditional financial information. The Financial Plan presents all funding issues by goal, fund, and program strategy at department levels for all operating funds. The second document presented is the Performance Plan. The Performance Plan contains detailed information on the purpose of strategies and key initiatives. Included is detailed information down through individual service activity levels, and the measurements required for a performance based budgeting system. Once final, these plans are Volume 1 and Volume 2 of the City Budget.

The Financial Plan (Volume 1) has ten major sections. The **Executive Summary** is designed as an overview, explaining the policies underlying the budget, revenue projections, and appropriations by goal, funding source and department.

The **Personnel Summary** section contains a City organizational chart; employee counts, and explains the changes in the employment level.

Budget Highlights by Fund contains Fund Balance Tables or Working Capital Fund Tables, where appropriate, by fund group. The funds are presented with estimated ending balances for both the current year and the budget year. This section includes brief highlights and fund financial history, both in table and graph form.

The **Capital Budget** section explains the City's capital process, which is prepared on a biennial cycle. Anticipated capital projects and the expected operating impacts are discussed.

The **General Fund Revenue Analysis** section presents an analysis of the projected economic conditions at the national, state and local levels. The analysis addresses anticipated conditions affecting General Fund forecasted revenues and detailed revenue information.

Department Budget Highlights follow, containing financial information and other pertinent information on a department basis by goal and at the program strategy level. The structure of this section is first by department. Within the department, the reader will find budget highlights, department revenues and a list of the prior years' accomplishments, City Council directives and historical expenditures and appropriations for FY/04.

Bonded Indebtedness, the **Appendix** and **Statistical Information** complete the supporting budget documentation. The **Appendix** contains information that is useful to prepare or understand the budget, including definitions, a schedule of the functional grouping of funds and departments, and a budget calendar. There is also a brief explanation of the methodology used in budget preparation. There is a section that presents a complete consolidation of all operating funds with an elimination of interfund transactions in order to provide an accurate picture of the budget as a whole.

The **Appropriations Legislation** section provides copies of the FY/04 budget legislation approved by the Council.

EXECUTIVE SUMMARY

ALBUQUERQUE: THE COMMUNITY

Albuquerque was established as a community in 1706, with the founding of Old Town by the Spanish. In 1885, while New Mexico was still a territory of the United States, Albuquerque was chartered as a town, and in 1891, Albuquerque was organized under territorial laws as a city. The City Charter under which the City of Albuquerque government now operates was adopted in 1917. The purpose of the City Charter is to provide for maximum local self-government. The City Charter was amended in 1974 to move the city from a commission-manager to a mayor-council form of government. Voters elect a full-time mayor and nine part-time city councilors in non-partisan elections. The mayor and councilors serve four-year terms with council terms staggered every two years, providing continuity on the council. The mayor is limited to two consecutive terms of office. Albuquerque is a “home rule city” under the New Mexico Constitution. The City may exercise all legislative powers and perform all functions not expressly denied by general law or charter.

The city of Albuquerque is located in north central New Mexico. With an elevation ranging from 4,900 to 6,500 feet, the city nestles against the Sandia and Manzano Mountains on the east, is bisected north to south by the Rio Grande and spreads into the high desert on the west. The mountains, rising 5,000 feet above the City provide protection from harsh winter storms. Although winter snow is not uncommon, travel is rarely a problem. Albuquerque enjoys excellent weather year round, with four distinct seasons, but all four seasons contain a majority of sunny days. The climate is arid; the city averages only eight inches of precipitation a year.

The Albuquerque Metropolitan Statistical Area (MSA) in the 2000 census had a population of 712,738. Albuquerque, with 448,607 residents, is the largest city in New Mexico, accounting for approximately one-fourth of the state’s population. It is the 35th largest city in the country in terms of population. Albuquerque is culturally diverse. About 49.9% of the residents are non-Hispanic white, 37.3% Hispanic, 3.3% Native American, 2.8% African American, 2.2% Asian American, and, 4.5% other. This cultural diversity is recognized, encouraged and celebrated throughout the City by special events, and particularly with Summerfest in the downtown area on Civic Plaza. Architecture, street and subdivision names, art, and dozens of annual ethnic festivals attest to this rich cultural diversity. Sixty percent of city residents own their homes.

Located at the intersection of two major interstates, served by air and rail, Albuquerque is the major trade, commercial, and financial center of the state. Only 300 miles from the Mexican border, Albuquerque is well situated to benefit from the North American Free Trade Agreement. Trade and service are the largest economic sectors and provide over half the jobs in the Albuquerque area. Government provides close to 20% of non-agriculture employment and accounts for the largest employers in the MSA:

<	University of New Mexico	15,375
<	Kirtland Air Force Base (Civilian)	14,738
<	Albuquerque Public Schools	11,600
<	Sandia National Labs	7,700
<	City of Albuquerque	6,428
<	Kirtland Air force Base (Military)	5,532

Albuquerque is noted as the hot air balloon capital of the world, playing host to an annual balloon fiesta that draws entries from around the world. Over one thousand hot air balloons color the sky for nine days each fall. The City hosts the New Mexico State Fair each September. In addition, the City operates a major convention center hosting a number of national events annually.

The City relies primarily on two types of taxes, gross receipts taxes and property taxes. The total gross receipts tax rate in Albuquerque is currently 5.8125%, of which the City receives 2.2875%. This includes a limited ten-year life, quarter cent tax to address transportation issues. The difference between the total tax and the City’s share goes to state and county governments. The largest share of city property taxes is used to service bonds for capital improvements, with only a small percentage used for general operations.

FY/04 BUDGET SYNOPSIS

The City of Albuquerque is committed to performance budgeting. As a result, the City budget consists of two integrated plans for the operation of government over the fiscal year: the Financial and the Performance Plans. The FY/04 Financial Plan provides stability and makes an investment in Albuquerque's future. It positions the City to cope with ongoing economic softness if necessary in the near future. With fewer employees, this budget reduces the size of City government. The focus of the performance plan on performance measures seeks to assure the quality of services to the public will not be harmed.

General Fund Financial Plan

As FY/02 came to a close, revenues fell sharply. There was no General Fund (GF) revenue growth in FY/02, although as late as May 2002 an additional \$10 million was forecast. The \$10 million FY/02 shortfall carried over to the FY/03 base revenue estimate. The FY/03 budget was cut twice in order to make up for the revenue shortfall. Although the cut bills, R-02-157 and R-02-184, made reductions that nearly offset the projected revenue shortfall, the GF budget also faced overspending problems. The Metropolitan Detention Center (MDC) opening had been delayed by two years and unanticipated costs of operating three aging facilities rather than one new facility had to be covered by reversions from other GF departments. The most recent "open-the-doors" cost estimate available when the FY/04 budget was formulated projected a \$26.6 million shortfall. The financially challenging times colored the development of the FY/04 budget proposal.

Solving the FY/04 budget problem was not a trivial matter. If the \$26.6 million shortfall were addressed through layoffs, more than 500 positions would need to be eliminated. If the shortfall were addressed by reducing services, it would require the equivalent of eliminating eight City departments: Convention Center (\$3.4 million), City Council Services (\$1.6 million), Environmental Health (\$7.1 million), Human Resources (\$2.2 million), Legal (\$6.0 million), Mayor's Office (\$0.6 million), CAO (\$5.7 million) and Senior Affairs (\$3.9 million), to balance the FY/04 budget. Clearly, these were unacceptable alternatives.

The GF budget takes advantage of opportunities to create \$17.1 million in operating revenue. Shifting one mill from capital to operating use produced \$7.3 million. Changing the reserve policy to set the operating reserve 1/12th (8.3%) of total appropriations, replacing the former level of 5% of recurring revenue, and eliminating the funds designated for future appropriations produced an additional \$6.2 million. Finally, the customary transfer from the GF to support storm drainage projects was suspended to allow the project spend down accumulated cash, saving \$3.6 million.

The City has traditionally maintained an operating reserve calculated as 5% of recurring GF revenue. In FY/02 the operating reserve held \$16.2 million and, in the FY/03 revised budget, the balance is \$16.3 million. In addition to the operating reserve, the City began accruing the GRT in FY/95 and treated the July accrual as unavailable for spending, i.e. designated for future appropriations. The adjustment contained approximately one month's worth of revenue from the GRT, Cigarette Tax and the Municipal Road (Gasoline) Tax. In FY/02, \$17.8 million was held for the adjustment and in the revised FY/03 budget \$18.3 million is held. The City combined these amounts and replaced them with a GF reserve equal to 8.33% or 1/12th of GF appropriations. For FY/04 the amount of that reserve is \$29.2 million. Although the City is a home rule municipality, the reserve policy change conforms to the requirement the State imposes on other municipalities.

Eliminating vacant positions and reorganizing operations to shift employees to positions that are funded saves approximately \$6 million. The savings is partially offset by positions that are added to staff new facilities. Fee increases and taking available balances are offset by program expansions and fully funding known operating costs. Finally, traditional expenditures, such as funding for the vehicle replacement fund and a police expansion class, as was assumed in the Five-Year Forecast, were not funded in order to balance the FY/04 budget.

Both the GF and the enterprise fund budgets include no employee pay raises (other than those phased-in salary and benefit enhancements previously agreed upon which are fully funded) and assume a vacancy savings rate of only 0.5%. Benefits are adjusted to reflect the increase in the other employee benefit rates – primarily the result of increasing health insurance costs. The cost of risk has increased as a result of the 5-year deficit recovery plan implemented in FY/03 and carried forward.

Enterprise Funds Financial Plan

The FY/04 Enterprise Funds Financial Plan is for twelve selected funds, including one special revenue fund, six enterprise operating funds, and five debt service funds.

The Financial Plan provides a realistic budget, taking advantage of all available savings while looking at actual expenditures rather than past appropriations. Budget increases and resultant rate increases are associated with increased benefits costs, lower vacancy savings rates, federal mandates, community growth and the need to address potential contamination by old city landfills.

A 4.5% rate increase in the Water/Wastewater Fund (over and above the 4.5% increase approved for the San Juan-Chama Water Project) is enacted. This budget implements summer surcharges to send a price signal to encourage conservation. The summer surcharge imposed and revoked last year has been restructured. The previous conservation threshold of 200% of winter average has been raised to 300%, while the second tier level will be raised from 300% to 400%. Customers using over 300% would face a surcharge of 50% (proposed at \$0.60 per unit). Customers using 400% or more will be charged the full commodity rate (proposed at \$1.20). This 400% tier has never been charged. The surcharge increase is expected to generate \$1.5 million in FY/04. Additionally, "irrigation only" users are exempt from surcharges. The budget proposal increases the estimated sewer use from 90% to 95% for billing purposes. This adjustment more accurately reflects actual treated volumes and generates an additional \$1.5 million in revenue. Odor control expansion and implementation is funded, as are rehabilitation and the transfer to capital at the mandated amounts.

The Parking fund must meet the demands of an increasing debt service burden associated with \$25.6 million in parking structure expansion. Parking rate increases were approved by City Council in R-03-202. Rate increases approved include a \$0.25 increase in parking meters and a \$2 increase in the maximum hourly parking fee charged in City garages. The fee increases also fund part time positions to better collect revenues and new equipment to bring greater safety and efficiency to City garages.

Refuse disposal rates will increase by 3%. Of the increase, 2% will cover the increasing cost of employee benefits, risk premiums and the purchase of much needed heavy vehicles. The other 1% is earmarked to begin to address the City's obligation to remediate contamination caused by old landfills.

Golf in addition to lowering the senior age from 62 to 55, now offers a new reduced price annual pass (that charges a minimal fee per round) as well as the old pass. Golf now allows beer and wine sales at Arroyo del Oso, Los Altos and Ladera. These changes will provide revenue necessary to assure adequate debt service coverage for outstanding golf revenue bonds. Detailed information is included in the department narrative.

In Air Quality, the Operating Permits Program anticipates an increase in the soil disturbance fee originally slated for mid-FY/03. The fee increase is based on the number of acres affected. The Vehicle Pollution Management Program has a increase of \$1 for certified paper to restore an adequate fund balance and coincide with the federal law requiring on-board diagnostic testing in vehicle emission testing programs by January 2004. Both the City and private vendors must upgrade. Private operators will pay for the new equipment and consumers will benefit from quicker tests.

Significant operating challenges continue to face Aviation as a result of the events of September 11, 2001. New Federal security regulations prompted the addition of a Canine Bomb Unit, fingerprinting machine and the addition of two Aviation police officers and one Aviation police sergeant in the budget. Airport revenues are recovering and additional revenue will be used for aviation police and security.

Budget Guidelines

The budget was guided by expenditure priorities, budget development policy and financial policy. The product is a budget that balances revenues and expenditures while continuing to fund basic City services.

Administrative Priorities
Public Safety
Sustainable Water
Economic Opportunity
Budget Development Policy
Size the Current Budget Gap and Look at the Future Implications of Today's Actions
Budget Realistically
Protect Employee Compensation and Avoid Layoffs
Financial Policy
Increase the Operating Reserve
Balance Recurring and Nonrecurring Revenue
Other Significant Issues
Cooperation
Cuts
Competition

Administrative Priorities: Public Safety, Sustainable Water and Economic Opportunity

Budget development was driven by expenditure priorities: public safety, sustainable water and economic opportunity.

Public Safety. This General Fund budget funds two police cadet classes expected to graduate 70 officers and two lateral classes of 14. New cars for the lateral class officers are included, as well as another 7 cars funded from the proceeds of an FY/03 auction. The public service aide (PSA) function is enhanced with 19 aide positions added to free uniformed officers for patrol duties. Street crossing guards and community service assistants (CSAs) are fully funded. The budget includes full funding for the Fire Department at existing strength, plus it includes a cadet class of 30 to staff the new Station 21 expected to be on-line in August of 2004. The Fire Department will also add a grant-writer to seek additional funding support and a mechanic to reduce overtime. Finally, the budget recognized that the move to the 2,100 bed MDC was completed. The savings projected for two years by having a single jail facility to provide food and medical services will be realized in FY/04. The budget contains full funding for a projected inmate population of 1,800 and reserves the remainder necessary to operate the MDC at full capacity. MDC funding was increased for medical and behavioral health contracts, supplies, and repairs and maintenance. New safety items include the replacement of one-third of the radios and a contract with Albuquerque Ambulance to transport inmates.

Sustainable Water. The FY/04 Enterprise Budget surcharges to send a price signal to our largest users to conserve our precious water. The summer surcharge imposed and revoked last year has been restructured. The previous conservation threshold of 200% of winter average has been raised to 300%, while the second tier level will be raised from 300% to 400%. Customers using over 300% would face a surcharge of 50% (proposed at \$0.60 per unit). Customers using 400% or more will be charged the full commodity rate (proposed at \$1.20). This 400% tier has never been charged. The surcharge increase is

expected to generate \$1.5 million in FY/04. Additionally, "irrigation only" users are exempt from surcharges. The budget proposal increases the estimated sewer use from 90% to 95% for billing purposes. This adjustment more accurately reflects actual treated volumes and generates an additional \$1.5 million in revenue. Odor control expansion and implementation is funded, as are rehabilitation and the transfer to capital at the mandated amounts

Economic Opportunity. As the Albuquerque economy has diversified, it has become less insulated from national and international economic events. The past few years have been especially challenging to our nascent technology sector. In order to continue to provide economic opportunity it is essential that we make strategic investments to grow our local economy. The FY/04 budget adds three new staff members and increases funding for contractual services in the Office of Economic Development. The International Trade Program is expanded in time to allow Albuquerque to partner with the State as it expands its initiative to take advantage of our strategic trade location near Mexico.

Bus Rapid Transit (BRT) is funded to begin operation in FY/04. BRT is the transitional phase to a Light Rail Transit (LRT) system. The BRT service will begin in April of 2004 and run in the Central Avenue corridor from Coors to Uptown to build ridership prior to implementation of LRT. The pilot system will be operated on headways rather than schedules and have signal priority at major intersections. Initially the project will use existing buses and transition to articulated buses as funds are available. Once complete, the project will establish a transit corridor capable of stimulating continued economic growth in the Downtown, Uptown and Coors activity centers.

The One-Stop-Shop in Planning converts three part time positions to full time status and adds funding for a database administrator to automate and expedite services.

Budget Development Policy:

Size the Current Budget Gap and Look at the Future Implications of Today's Actions; Budget Realistically; Protect Employee Compensation and Avoid Layoffs

Size the Current Budget Gap and Look at the Future Implications of Today's Actions. Each year the Office of Management and Budget produces a Five-Year Forecast. A copy of the Five-Year Forecast for FY/03 can be found at WWW.CABQ.GOV/BUDGET/. The forecast provides an estimate of spending and revenue trends. Serious deficit pressure is projected over the forecast period. The forecast base accounts for wages by position at current salary levels. To that is added estimates of health and dental insurance premiums, costs of operating new facilities as they open, wage and benefit costs associated with concessions in existing union contracts, fuel cost increases, grant funding adjustments, etc.

Revenue forecasts reviewed by the City's Forecast Advisory Committee are used to estimate the gap between anticipated expenditures and revenues. The FY/04 projection is stunning. The growth in recurring expenditures is projected to outpace the growth in revenues significantly, primarily due to the cost of operating new or expanded facilities, escalating health care costs, increased Risk Management costs as the City begins year two of the five-year Risk Fund recovery plan, and payment of principal and interest on outstanding parking, lodgers and sales tax bonds. The projected unreserved fund balance ranges from a deficit of \$26.6 million in FY/04 to a deficit of \$120.8 million in FY/07.

FIVE-YEAR FORECAST FISCAL YEAR 2003	Actual FY02	Revised FY03	FY04	FY05	FY06	FY07
Projected Revenue Growth		3.6%	3.4%	3.9%	4.2%	4.0%
Recurring Expenditure Growth		4.3%	8.3%	5.7%	4.5%	3.3%
Unreserved Fund Balance	1,914	(3,971)	(26,637)	(56,568)	(89,596)	(120,849)

A series of financial actions close the FY/04 gap. One mill of property tax is shifted from debt service to operating purposes. This action will not affect total property tax due to the City. However, the General Obligation (GO) bond program in 2005 and beyond will be reduced by approximately 8% to 11%. GF

recurring revenue will increase by \$7.3 million as a result of this shift. Nonrecurring revenue is produced by a change in reserve policy to help minimize the gap. Finally, the number of full time positions is reduced to balance the FY/04 GF budget. Closing the FY/04 gap places the City in a far better position to deal with smaller gaps between revenue and expenditures projected in FY/05 and FY/06.

Budget Realistically. For the second year in a row, the budget has reduced the vacancy savings rate. This year's budget reduces the assumed savings departments will realize over the course of a year from positions that become vacant and take time to fill to only 0.5%. In FY/03 the rate was reduced from a high of 4.5% in some departments to a uniform rate of 1.5%. The reduction is necessary since many vacant positions have been eliminated in the past two budget cycles. Additionally, positions and programs that were not fully funded in prior years are bought up to full funding levels in this proposal. Examples include water costs at City parks, attorneys for traffic court, crossing guards, etc.

Protect Employee Compensation. Although no raises were possible in these lean times, employees are protected from higher insurance costs by using fund balances to increase the City's share of health insurance cost from 80% to about 83%.

Avoid Layoffs. To gain necessary savings, this budget in net deletes 20 positions (as well as removes funding for 7 vacant positions). The City Human Resources Department will place all affected employees into existing funded programs. Since FY/02 there has been a total reduction of 319 full time positions or 4.7%.

COA Fund Full Time Positions	#	Change	Percent Change
FY/02 Actual	6,716		
FY/03 Approved Budget	6,428	-288	-4.3%
FY/04 Approved Budget	6,408	-20	-0.3%
Change from FY/02 Actual to Approved FY/04		-308	-4.6%

Financial Policies:

Preserve Our High Bond Ratings by Increasing the Operating Reserve and Balancing Recurring Revenue and Recurring Appropriations

Increasing the Operating Reserve. The elimination of the unreserved fund balance for future appropriations will increase the reserve for operations from 5% to 8.3% by the end of FY/03. The change mirrors the State of New Mexico, Department of Finance and Administration, Local Government Division's cash balance and reserve requirement for municipalities as stated in the Budget and Finance Manual. That document instructs "all municipalities to maintain a cash balance in the general fund equal to 1/12th of budgeted expenditures at fiscal year end." The COA interpretation is actually more stringent than the state rule as we propose to reserve 1/12th of the total appropriation level (including transfers). This change creates approximately \$6.2 million in nonrecurring fund balance in FY/03 that partially carries forward to FY/04.

Balancing Recurring Revenue and Recurring Appropriations. The fund balance table indicates that recurring appropriations exceed recurring revenue by over \$1 million. Although not ideal, this is only 0.3% short of matching. Arguably, the City could reclassify a \$3.6 million transfer to Basic services as nonrecurring and show a \$3 million surplus of recurring revenue over recurring appropriation. However, the budget makes a more conservative assumption.

Other Significant Issues in the Proposed Budget: Cooperation, Cuts and Competition

Cooperation. The Administration thanks the City Council members and staff who worked cooperatively to identify and evaluate the revenue actions described above. Internal Audit reviewed the proposed change in reserve policy, Council staff made themselves available for meetings regarding various proposals and Council members attended many budget Committee of the Whole meetings as well as informal meetings to discuss the budget. Additionally, City departments worked hard to identify possible staff and funding reductions. Departments looked at existing services to identify functions that could be

eliminated as well as potential fee increases and met repeatedly with OMB and Council staff to refine the budget.

Cuts. The new Erna Ferguson facility recently expanded and will open in FY/04. The expansion will be fully staffed at little additional cost to the library system. Branch library patrons were recently polled to discover the most popular hours of operation. Total hours of operation will be reduced slightly at most branch libraries. Many will change schedules to meet the public demand for evening and weekend service. Other reductions in Cultural Services include touring shows, one Summerfest event; and the Arts in the Parks program.

In Transit, some bus headways will be expanded to create cost savings, and one redundant route is eliminated. The overall funding level is nearly unchanged as Bus Rapid Transit (BRT) is added. Resources are shifted to transition to the higher technology BRT.

Some departments positioned themselves for the FY/04 reductions. The Department of Finance and Administrative Services consolidated all City security staff and reassigned existing financial staff to realize economies of scale in FY/03. That savings is carried forward to FY/04. The Public Works Department eliminated night street sweeping and will also carry that action forward to realize savings.

Competition. Elements of competition have been introduced to City Hall. In FY/03 a request for proposals was issued for management of the Convention Center. Bidders included major corporations as well as the Convention Center staff. Although this contract has not been awarded, the benefit of enhanced efficiency can be seen in the budget for FY/04. In preparing to compete, Convention Center staff cut the cost of providing service by eliminating \$389,000 in vacant positions.

This budget begins to bring an element of competition to park maintenance activities. By using the funding from 14 vacant park maintenance positions to contract the functions, the City will be able to compare the existing service cost and quality with private providers. As was the situation at the Convention Center, it is envisioned that existing staff will be able to bid on the contract.

The City has evidence to suggest that the private contractor is not always the most economic solution. Reductions in Legal Department appropriations last year have resulted in soaring costs for contract legal services. This budget funds three new lawyers and three support staff to reduce the overall cost of handling cases as was recommended by the Best Practices Study.

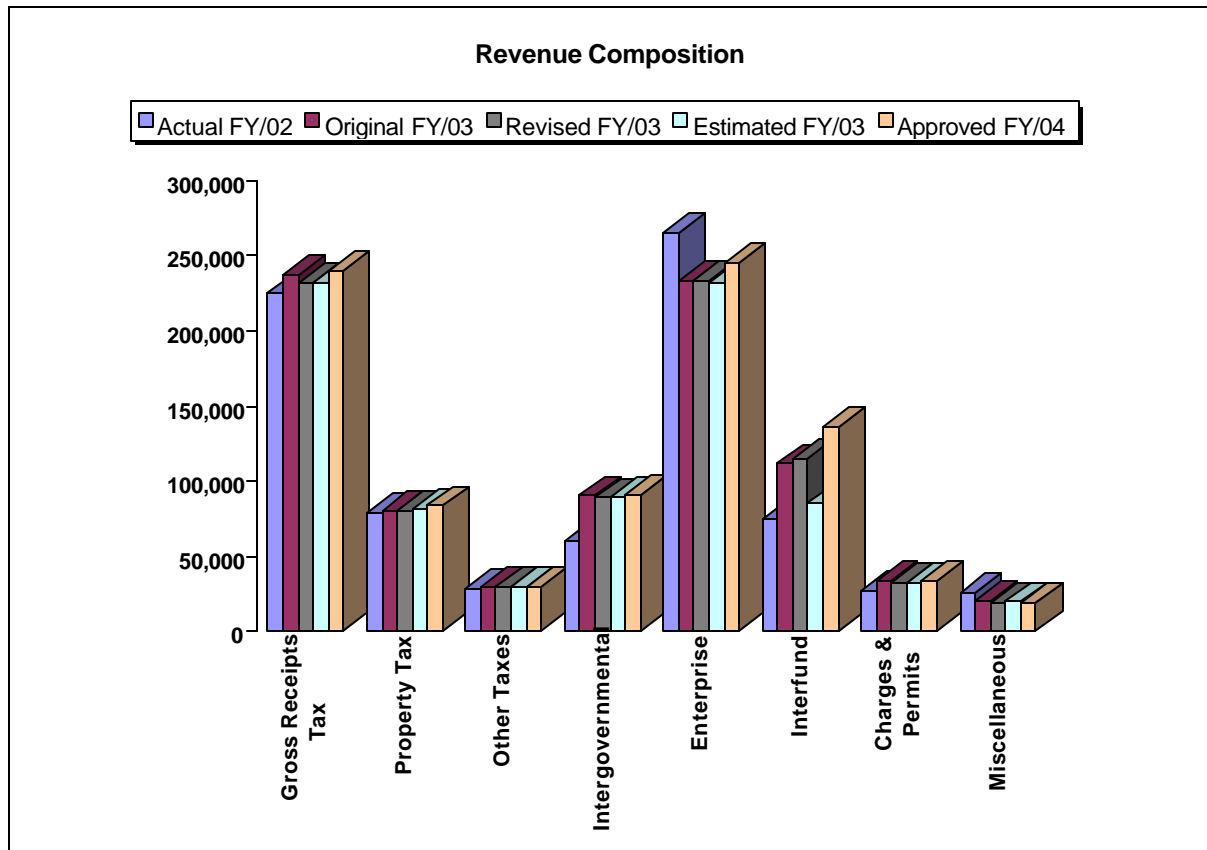
Finally, the Planning Department will allow the private sector to certify infrastructure inspections and will no longer use City staff to "double check".

FY/04 OPERATING BUDGET TOTAL RESOURCES

Total available resources for FY/04 of \$877.7 million is \$41.2 million or 4.9% more than the \$836.5 million estimated sixteen months ago for the originally Approved FY/03 Budget.

Gross Receipts Tax (GRT) makes up 27% of total resources. This revenue source has weakened in recent years. Actual growth has been relatively small and has declined as a percent of total resources from 29% in FY/02 to 27% in FY/04. An erosion of the base has been felt as the list of exempt business activities has grown. As neighboring communities develop retail and other business, Albuquerque's GRT growth rate is limited. In addition, Indian Gaming and Internet sales have also had an impact. Preliminary estimates indicate that GRT grew by only 2.5% in FY/03 and is estimated to increase by 3.6% in FY/04.

TOTAL RESOURCES (INCLUDING FUND BALANCE) AFTER INTERFUND ELIMINATIONS AND ADJUSTMENTS



	Actual FY/02	%of Total	Original FY/03	%of Total	Revised FY/03	%of Total	Estimated FY/03	%of Total	Approved FY/04	%of Total
Gross Receipts Tax	225,723	29%	237,387	28%	231,366	28%	231,387	29%	240,059	27%
Property Tax	78,588	10%	80,410	10%	80,410	10%	81,558	10%	83,708	10%
Other Taxes	28,119	4%	30,028	4%	29,981	4%	29,771	4%	29,265	3%
Intergovernmental	60,117	8%	90,004	11%	88,843	11%	89,444	11%	91,241	10%
Enterprise	265,339	34%	232,846	28%	233,230	28%	231,606	29%	245,519	28%
Interfund	74,603	10%	111,603	13%	115,025	14%	84,687	11%	135,807	15%
Charges & Permits	27,179	3%	33,490	4%	32,620	4%	31,776	4%	33,430	4%
Miscellaneous	25,423	3%	20,752	2%	19,238	2%	19,552	2%	18,671	2%

Total Revenue	785,091	100%	836,520	100%	830,713	100%	799,781	100%	877,700	100%
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Note: GRT includes state shared, Intergovernmental includes Federal Grants, County and State Shared revenue minus GRT; Miscellaneous includes fines and forfeits and miscellaneous appropriated fund balance. Detailed information is provided in the Appendix.

Enterprise revenues are another major source of revenue. The various enterprises the City operates generate 28% of the revenue. The City operates water, sewer, solid waste disposal, a transit system, parking lots and parking structures, four golf courses, and an international airport as enterprise funds. Preliminary information indicates that enterprise revenues fell by 12.7% in FY/03 (primarily due to a one-time infusion of funds reflected in the FY/02 level that was intended to be used for the purchase of NM Utilities, a purchase that did not happen) and are estimated to increase by 6% in FY/03.

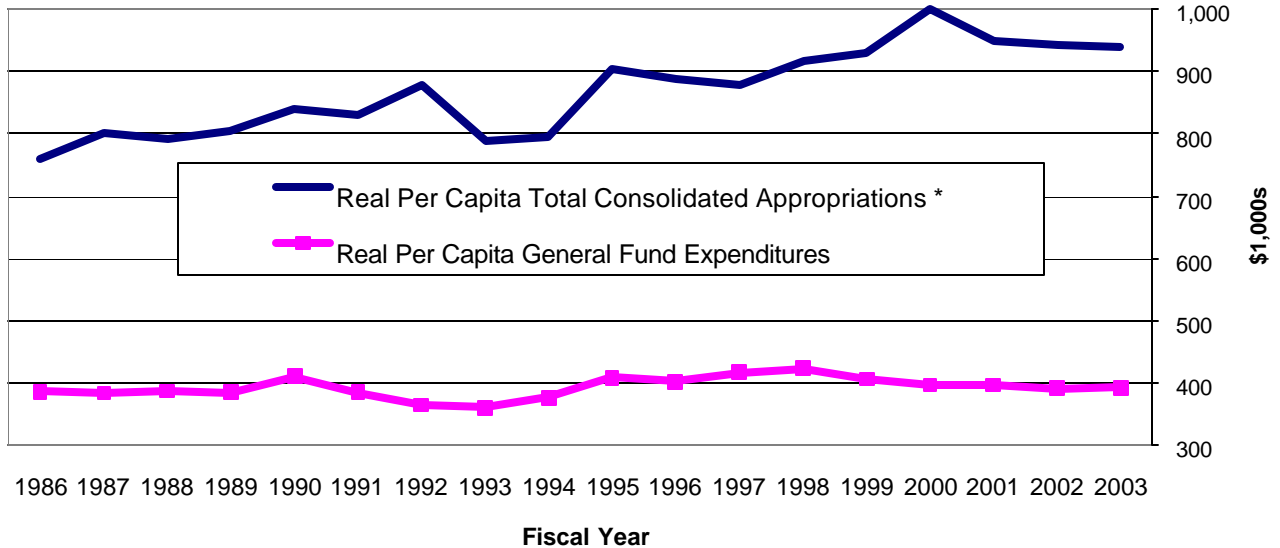
Property taxes make up only 10% of City revenues. The bulk of property taxes are imposed by referendum and used to retire bonds for capital projects.

Gross receipts tax, enterprise revenues and property taxes make up about 65% of total revenues. Other revenue sources include intergovernmental revenues including grants, interfund transactions, various relatively minor tax sources, admission fees to various City operated facilities such as the Zoo and Aquarium, and fees to builders for inspection, permits, etc.

HISTORICAL PERSPECTIVE OF CITY APPROPRIATIONS

As a rule of thumb, a government's spending must keep up with increases in cost (inflation) and increases in the population to maintain the level of city services. Growth in total citywide appropriations has substantially exceeded this benchmark. However, the growth in GF expenditures has barely kept pace.

Real Per Capita Total Consolidated Appropriations and General Fund Expenditures



* Consolidated appropriations are appropriations from all funds after interfund eliminations

For the period FY/86 to FY/04 inflation, as measured by the Consumer Price Index, increased 70%, for an average of 3.0% a year. In the same period of time, population within the City of Albuquerque increased by 28.5%, for an annual average of 1.4%. The chart above plots real per capita (adjusted for inflation and population growth) appropriations and expenditures.

Real consolidated total appropriations include appropriations from all funds (general, enterprise, special revenue, debt service and internal service) after interfund eliminations. Real per capita consolidated total appropriations increased 32% from FY/86 to FY/04 for an average annual growth rate of 1.6%. General Fund real per capita expenditures showed only a slight increase of 2.8% over the entire period FY/86 to FY/03. On an annual basis, this is growth of only 0.2% per year, indicating that General Fund expenses increased only slightly faster than population plus inflation.

TOTAL FY/04 APPROPRIATIONS BY GOAL, FUNDING SOURCE AND DEPARTMENT

The FY/04 operating budget appropriations are \$877.7 million, excluding interfund transactions. This is an increase of \$41.2 million from the originally Approved FY/03 Budget.

The City budget can be viewed from three different perspectives. Looking at appropriations by goal provides a perspective on the relationship between resources and desired results. It also cuts across organization lines to reveal all resources directed to a particular purpose (e.g. public safety or economic vitality) regardless of how the funds come to the city (taxes, rates, grants etc.). Another way to view the budget is by funding source. City Enterprises collect revenues sufficient to support their operations and debt service needs. The General Fund relies heavily upon tax collections to support the general services of City government (police, fire, parks, etc.). Grants are important funding sources for human services and community projects. Internal service funds are assessed and support infrastructure (payroll, information services, human resources, etc.). Our organizational structure is revealed when the budget is laid out by department. Each department director is appointed by the Mayor and reports to a Deputy chief administrative officer. Department size varies greatly.

Following the discussion of each goal and associated funding you will find a graph and table showing the amount and percentage of total funding available for the accomplishment of City goals. The table at the end of this Executive Summary presents the FY/04 budget by goal (desired results), fund (resource) and department (organizational structure).

It should be noted that the category "Special Revenue Not Included" represents funds to be received and expended in the form of grants. They are not appropriated in the budget appropriations legislation but will be appropriated during the year as grant awards are announced. However, including them as an estimate in this document provides a more comprehensive picture of the total funding provided for goal attainment. Capital funds received through general obligation bonds and revenue bonds are not included at this time. It is anticipated that over time all revenues and uses of funds will be added. Please see the Capital Budget section of this document for details.

All numbers presented are after a consolidation process that eliminates the many duplicate entries that are caused by interfund transactions. These can vary widely, especially in years including large transfers to debt service.

The table below shows how each goal is funded by revenue source. Next a description of each goal and a synopsis of budget issues in FY/04 are provided. Next appropriations by funding source are laid out followed by appropriations by department.

Goal Appropriations by Funding Source FY/04

	Goal 1	Goal 2	Goal 3	Goal 4	Goal 5	Goal 6	Goal 7	Goal 8	Total
General Fund	38,288	149,011	20,573	26,151	2,470	4,992	14,666	43,797	299,948
Special Rev Fund Included	63	40,912	4,764	-	5,326	4,357	808	3,620	59,850
Spec. Rev Fund Not Included	49,462	9,963	1,137	6,721	1,726	100	900	-	70,009
Non Enterprise Debt Service	-	-	108,285	-	-	-	-	-	108,285
Enterprise	3,749	-	222,517	-	44,139	30	-	302	270,737
Internal Service	-	-	-	-	-	-	-	68,871	68,871
	91,562	199,886	357,276	32,872	53,661	9,479	16,374	116,590	877,700

City Of Albuquerque Goals

Goal 1 - HUMAN & FAMILY DEVELOPMENT

People of all ages have the opportunity to participate in the community and economy and are well sheltered, safe, healthy, and educated.

The total amount of resources to be spent on the Human & Family Development Goal is \$91.6 million. This is an increase from the FY/03 originally approved budget of \$5.7 million or 7%. The proportionate share of total resources devoted to this goal remains close to the same past years, 10%. Less than half comes from the General Fund. The Golf Enterprise Fund provides recreation to meet this goal and the balance is expected to come from various grants. Grants are the largest funding source and will go to the City Council in the form of future appropriation requests for grant applications.

Goal 2 - PUBLIC SAFETY

Citizens are safe, feel safe and secure, and have trust and shared responsibility for maintaining a safe environment.

The Public Safety Goal appropriation is 23% of total appropriation, or \$200 million. Three quarters of the funding and expense is incurred in the General Fund. The second largest segment is the operation of the jail, which is kept in a special revenue fund since the expenses are split between the City and Bernalillo County. The Public Safety Goal group is also the recipient of grants and other unbudgeted revenue, although not on the same scale as Human & Family Development.

Goal 3 - PUBLIC INFRASTRUCTURE

Ensure that all existing communities are adequately and efficiently served with well-planned, coordinated, and maintained sewer, storm, water and road systems and an integrated multi-modal regional transportation system. Ensure that new development is efficiently integrated into existing infrastructures and that the costs are balanced with the revenues generated.

The Public Infrastructure Goal is very large, at \$357 million, representing 41% of all appropriations. This is because the enterprise departments and funds are part of this goal, that includes the water/wastewater systems, the transit system and airport operations. Also contributing to the cost is the payment of debt service. The appropriation increased by \$11 million or 3%, but the share of total appropriations is unchanged in FY/04.

Goal 4 - SUSTAINABLE COMMUNITY DEVELOPMENT

Guide growth to protect the environment and the community's economic vitality and create a variety of livable, sustainable communities throughout Albuquerque.

Nearly \$33 million is appropriated to the Sustainable Community Development Goal and nearly 80% of activities are performed in the General Fund. The balance is made up with grant funds. The total percentage of resources applied to this goal are 4%, unchanged from FY/03 and up from 3% in FY/02.

Goal 5 - ENVIRONMENTAL PROTECTION & ENHANCEMENT

Protect and enhance Albuquerque's places and natural environment — its mountains, river, Bosque, volcanoes, arroyos, clean air and underground water supply.

All the resources expended in Environmental Health and Solid Waste are applied to this goal. Other departments and funds are involved, but those two departments are exclusively devoted to this purpose. The total percentage of resources spent on the Environmental Protection and Enhancement Goal is 6%,

for a total of \$54 million. The total share of resources dedicated to this goal has decreased from the FY/02 share of 7%

Goal 6 - ECONOMIC VITALITY

Achieve a vital, diverse, and sustainable economy in which businesses and residents have opportunities for success.

The desired outcome for the Economic Vitality Goal is to provide a diverse broad-based economy with balanced job opportunities. Appropriations for this goal are \$9 million and are 1% of the total. Funding comes from special revenues (specifically lodger's tax promotional funds), with a very small amount coming from the enterprise funds. The largest source from the General Fund.

Goal 7 - COMMUNITY AND CULTURAL ENGAGEMENT

Residents are fully and effectively engaged in the life and decisions of the community to promote and enhance our pride, cultural values and resources and, ensure that Albuquerque's community institutions are effective, accountable and responsive.

The Community and Cultural Engagement Goal works toward helping residents feel a part of their community and be actively involved. Resources devoted to this purpose are \$16 million representing 2% of the total allocation. Funding for this goal is essentially unchanged from FY/02 levels.

Goal 8 - GOVERNMENTAL EXCELLENCE AND EFFECTIVENESS

Government is ethical and accountable; every element of government contributes effectively to meeting public needs.

The Governmental Excellence and Effectiveness Goal permeates all City services. Almost 60% of the appropriations for this goal are included in internal services. These are services provided by one City department to another. Total appropriations in FY/04 toward this goal amount to \$117 million or 13% of total appropriations.

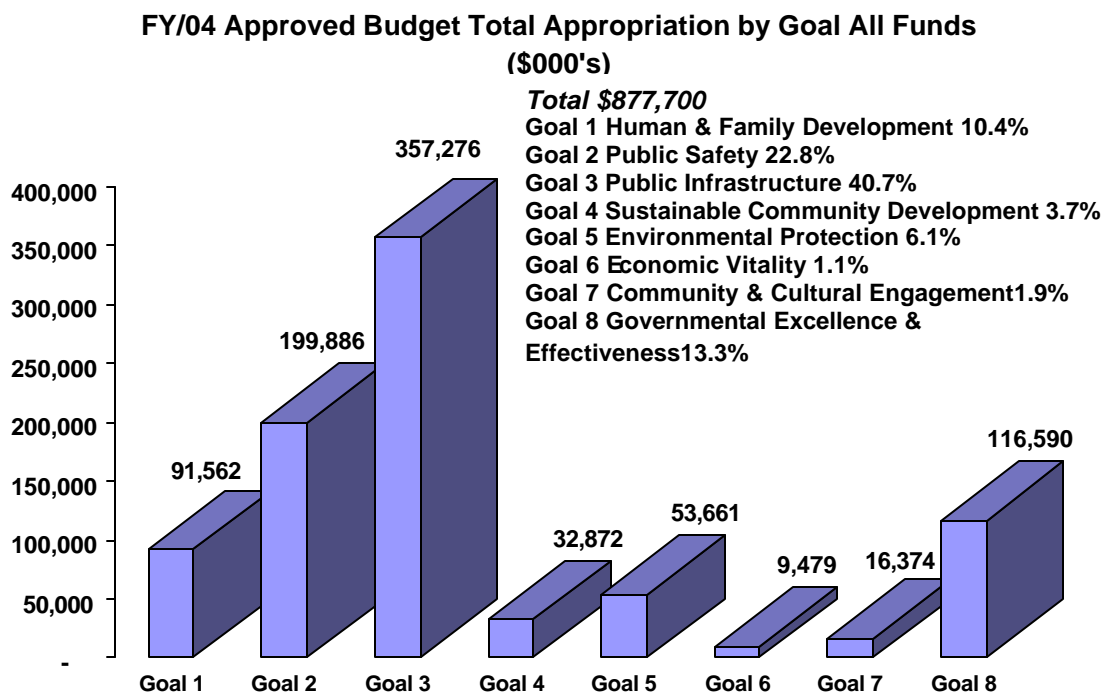
Appropriations by Goal After Interfund Eliminations

(\$000's)

Goal in Numerical Order	FY/01 Budget	% of Total	FY/02 Budget	% of Total	FY/03 Budget	% of Total	FY/04 Budget	% of Total
Human & Family Development	\$77,199	10.18%	\$79,094	10.22%	\$85,861	10.26%	\$91,562	10.43%
Public Safety	156,903	20.69%	172,612	22.31%	\$184,646	22.07%	\$199,886	22.77%
Public Infrastructure	321,610	42.42%	315,238	40.75%	\$345,973	41.36%	\$357,276	40.71%
Sustainable Comm. Development	28,717	3.79%	26,221	3.39%	\$35,032	4.19%	\$32,872	3.75%
Environ. Protection & Enhancement	50,973	6.72%	55,499	7.17%	\$53,854	6.44%	\$53,661	6.11%
Economic Vitality	12,527	1.65%	12,086	1.56%	\$9,126	1.09%	\$9,479	1.08%
Community & Cultural Engagement	14,897	1.96%	15,050	1.95%	\$15,412	1.84%	\$16,374	1.87%
Governmental Excellence & Effectiveness	95,355	12.58%	97,751	12.64%	\$106,616	12.75%	\$116,590	13.28%
Total	\$758,181	100%	\$773,551	100%	\$836,520	100%	\$877,700	100%

The Appropriations by Goal table reveals relative stability in each goal as a share of total appropriations. Public Safety and Governmental Excellence and Effectiveness have grown modestly since FY/01, while Public Infrastructure has experienced some decline.

The bar chart below reveals the relative size of resources directed to each goal. Public Infrastructure, which contains water/sewer, solid waste, airport and other utilities as well as public transportation, streets and roads, is the largest. It is followed by public safety, which supplies resources for Fire, Police and Corrections.



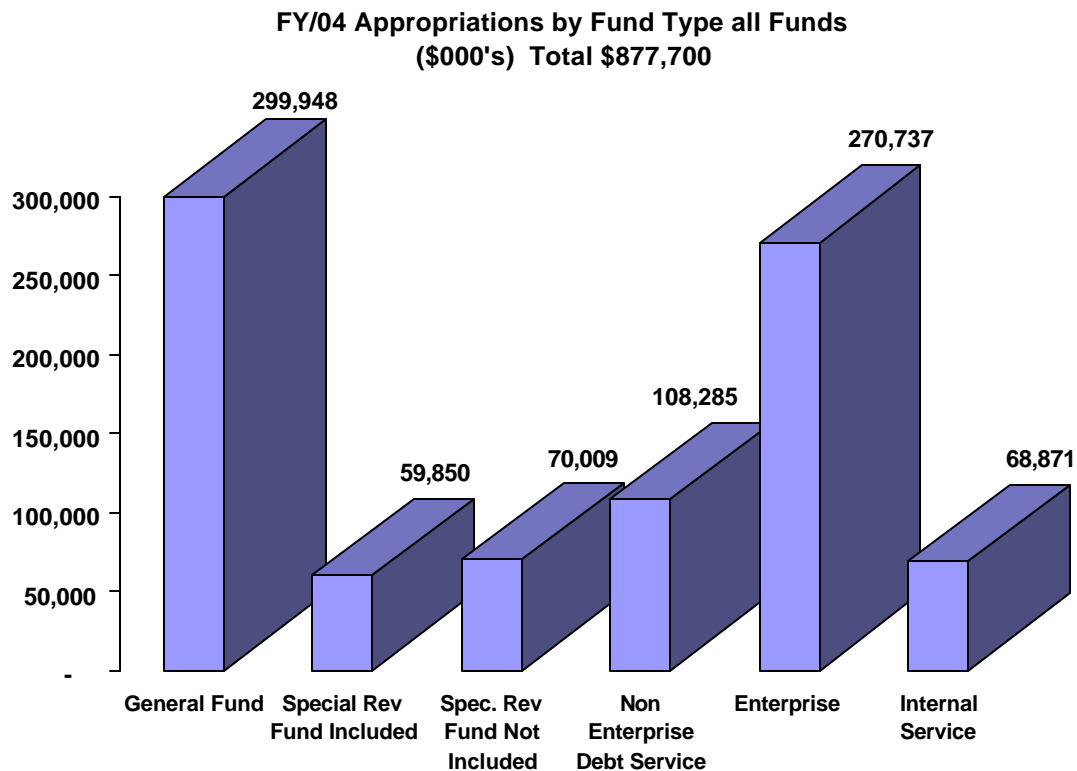
Appropriations by Fund Type After Interfund Eliminations

(\$000's)

Fund Groups	FY01 Budget	% of Total	FY/02 Budget	% of Total	FY/03 Budget	% of Total	FY/04 Budget	% of Total
General Fund	\$270,473	35.67%	\$282,246	36.49%	\$289,660	34.63%	\$299,948	34.17%
Special Revenue Funds Included in Appropriation	49,051	6.47%	50,797	6.57%	55,098	6.59%	59,850	6.82%
Special Rev. Funds Not Included in Appropriation (Grants)	55,392	7.31%	56,777	7.34%	68,692	8.21%	70,009	7.98%
Non Enterprise Debt Srv.	92,621	12.22%	73,268	9.47%	85,518	10.22%	108,285	12.34%
Enterprise	239,080	31.53%	254,568	32.91%	273,455	32.69%	270,737	30.85%
Internal Service	51,564	6.80%	55,895	7.23%	64,097	7.66%	68,871	7.85%
Total	\$758,181	100.00%	\$773,551	100.00%	\$836,520	100.00%	\$877,700	100.00%

The General Fund is the single largest appropriation source. It is primarily composed of general tax collections. Enterprise Funds are the next largest category Revenue to the various Enterprises are fueled by charges to individuals and businesses for enterprise services they consume.

Non-Enterprise Debt Service fund appropriations are associated with General Obligations, the City/County Building and Revenue Bonds. Special Revenue Funds not included in the annual budget appropriations are estimated and are largely grants but also include other sources such as DWI seizure and federal/state forfeiture monies. Special Revenue Funds included in the budget are dedicated to specific uses including the Lodger's Tax Fund, Air Quality Fund and The Albuquerque Biological Park Projects Fund.



Appropriations by Department After Interfund Eliminations

(\$000's)

Departments	FY01 Approved Budget	FY02 Approved Budget	FY03 Approved Budget	FY04 Approved Budget	% Total - FY/04
Aviation	\$56,365	\$57,456	\$71,784	\$58,484	6.66%
Chief Administrative Officer	9,964	10,538	8,364	9,553	1.09%
City Support Functions	96,861	77,602	92,016	115,717	13.18%
Convention Center	4,035	3,678	3,491	3,440	0.39%
Corrections & Detention	27,177	31,013	36,046	41,925	4.78%
Council Services	1,596	1,560	1,418	1,556	0.18%
Cultural Services	25,062	25,631	26,543	25,916	2.95%
Environmental Health	9,558	10,711	10,996	11,079	1.26%
Family & Community Services	68,962	69,323	79,423	77,961	8.88%
Finance & Administrative Services	40,089	41,709	46,618	51,371	5.85%
Fire	40,227	42,604	46,112	48,882	5.57%
Human Resources	25,937	28,589	32,734	36,243	4.13%
Legal	5,357	5,870	5,322	6,042	0.69%
Mayor's Office	686	737	504	524	0.06%
Office of Internal Audit	675	783	835	773	0.09%
Parks & Recreation	23,283	23,500	24,607	25,223	2.87%
Planning	8,941	8,851	10,981	11,843	1.35%
Police	81,383	88,327	92,143	98,784	11.25%
Public Works	161,786	169,887	173,481	175,138	19.95%
Senior Affairs	8,679	9,326	9,035	9,582	1.09%
Solid Waste Management	35,532	38,637	36,796	41,002	4.67%
Transit	26,460	27,580	27,650	27,321	3.11%
Indirect overhead adj	-434	-361	-379	-659	-0.08%
Total	\$758,181	\$773,551	\$836,520	\$877,700	100.00%

Appropriations by department reveal the organizational structure. Public Works is by far the largest department, followed by City Support, Police, and Family and Community Services. City Support is a “pseudo” department. It has no staff and is used to account for city-wide appropriations such as the matching money for grants and early retirement costs.

FY/04 Budget By Goal, Funding Source And Department

This table summarizes the three perspectives from which the FY/04 budget can be viewed. Appropriating resources by goal data reveals the financial support for each of the eight stated City desired outcomes. Funding source information reveals the type of money resources that support the various goals and departments. General Fund resources strongly support Public Safety, Enterprise Fund revenues are mainly directed to Public Infrastructure, and grant funds are key to Human and Family Development. Viewing the budget by department reveals concentrations. Both the Finance and Human Resources departments are concentrated in Organizational Excellence where they depend upon internal service funds as a critical resource.

GOAL/DEPARTMENT	% of Total	Indirect Overhead	General Fund	Special Rev Fund Included	Spec. Rev Fund Not Included	Non Enterprise Debt Service	Enterprise	Internal Service	Transfers	TOTAL
Goal 1 - Human and Family Development										
Cultural Services			10,341	63	38					10,442
Family & Community Svcs.			19,743		45,442					65,185
Parks and Recreation			3,830	270	99		4,485		(1,006)	7,678
Senoir Affairs			4,374		4,308					8,682
Sub Total	10.4%	(425)	38,288	333	49,887	0	4,485	0	(1,006)	91,562

Goal 2 - Public Safety										
CAO Dept.					140					140
Corrections & Detention	19,981	40,837	2,368					(21,261)		41,925
Environmental Health	4,616									4,616
Family & Community Svcs.	3,843		1,772							5,615
Fire Department	47,620	855	407							48,882
Police Department	92,932	500	5,352							98,784
Sub Total	22.8%	(76)	168,992	42,192	10,039	0	0	0	(21,261)	199,886

Goal 3 - Public Infrastructure										
Aviation							79,442	(20,988)	58,454	
City Support Functions	2,048				108,285			(2,048)	108,285	
Public Works	21,127	5,007					186,155	(49,057)	163,232	
Transit Department	17,516			1,153			32,875	(24,223)	27,321	
Sub Total	40.7%	(16)	40,691	5,007	1,153	108,285	298,472	0	(96,316)	357,276

Goal 4 - Sustainable Community Development										
Family & Community Svcs.					6,591					6,591
Parks and Recreation			14,470							14,470
Planning			11,681		162					11,843
Sub Total	3.7%	(32)	26,151	0	6,753	0	0	0	0	32,872

Goal 5 - Environmental Protection & Enhancement										
Environmental Health	2,470	2,366	1,742					(115)		6,463
Parks and Recreation	1,347	3,075						(1,347)		3,075
Public Works							3,231			3,231
Solid Waste			94				48,731		(7,823)	41,002
Sub Total	6.1%	(110)	3,817	5,441	1,836	0	51,962	0	(9,285)	53,661

Goal 6 - Economic Vitality		
Aviation	30	30

GOAL/DEPARTMENT	% of Total	Indirect Overhead	General Fund	Special Rev Fund Included	Spec. Rev Fund Not Included	Non Enterprise Debt Service	Enterprise	Internal Service	Transfers	TOTAL
CAO Dept.			1,082	9,305					(4,948)	5,439
City Support Functions			591						(591)	0
Convention Center			3,440							3,440
Family & Community Svcs.			470		100					570
Sub Total	1.1%		5,583	9,305	100	0	36	0	(5,539)	9,479

Goal 7 - Community & Cultural Engagement										
Cultural Services			14,666	931					(123)	15,474
Senoir Affairs					900					900
Sub Total	1.9%		14,666	931	900	0	6	0	(123)	16,374

Goal 8 - Governmental Excellence & Effectiveness										
CAO Dept.			3,974							3,974
City Support Functions			12,190						(4,758)	7,432
Council Services			1,556							1,556
Finance & Admin. Svcs.			25,323	5,801			2,632	27,543	(9,928)	51,371
Human Resources			2,236					34,211	(204)	36,243
Legal			6,042							6,042
Mayors Office			524							524
Office of Internal Audit			773							773
Public Works								9,411	(736)	8,675
Sub Total	13.3%		52,618	5,801	0	0	2,632	71,165	(15,626)	116,590

TOTALS		(659)	350,806	69,010	70,668	108,285	357,581	71,165	(149,156)	877,700
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BUDGET HIGHLIGHTS BY FUND

Budget Highlights explains significant changes in each fund grouped by fund type. Graphs are provided showing the trends in expenditures and/or appropriations in each of these funds. Each fund group will have a table preceding the section that shows revenues, appropriations, and anticipated fund balances at year-end. Additionally, there is a table showing how much of each fund group is allocated to each of the City's eight goals over the two years that budgets have been prepared in this manner. However, as each fund is presented in its entirety, the discussions will all be based on the total revenue and total appropriation in the particular fund.

GENERAL FUND

TO BUDGET AND ACCOUNT FOR RESOURCES TRADITIONALLY ASSOCIATED WITH GOVERNMENTS, WHICH ARE NOT REQUIRED TO BE ACCOUNTED FOR IN ANOTHER FUND.

THE GENERAL FUND IS THE REPOSITORY FOR REVENUES AND EXPENSES THAT PROVIDE TRADITIONAL GOVERNMENT SERVICES SUCH AS FIRE PROTECTION, POLICE PROTECTION, STREET REPAIR, PARK MAINTENANCE AND RECREATIONAL FACILITIES. THE LARGEST SOURCE OF REVENUE IS THE GROSS RECEIPTS TAX FOR THIS PARTICULAR FUND.

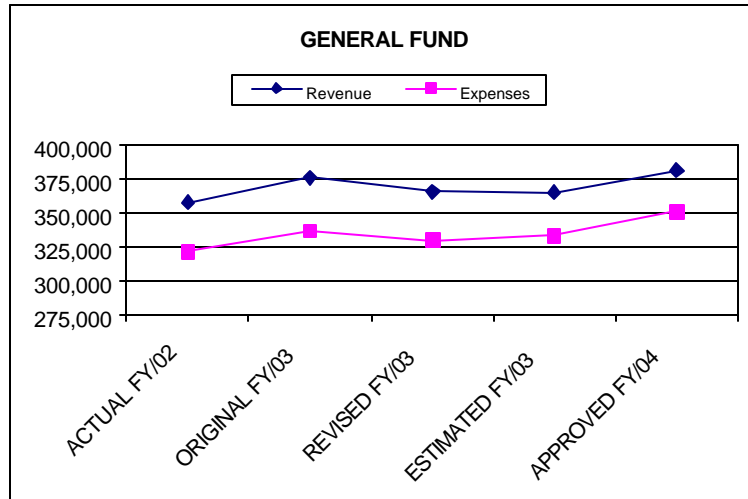
THE CITY OF ALBUQUERQUE NOW MAINTAINS 8.3% OF THE GENERAL FUND APPROPRIATIONS AS A RESERVE TO PROTECT AGAINST CHANGES IN THE ECONOMY, UNANTICIPATED FISCAL NEEDS OR EMERGENCIES. IF IT IS NECESSARY TO USE SOME PORTION OF THAT RESERVE IN ANY GIVEN YEAR, THE BUDGET FOR THE FOLLOWING YEAR REESTABLISHES THE APPROPRIATE AMOUNT.

General Fund Resources, Appropriations, and Fund Balances Over Time

Fiscal Year (\$000's)	Beginning Balances	Total Resources	Total Appropriations	Total Adjustments/Reserves	Available Balances
FY/02 Actual	40,183	317,580	321,164	(34,686)	1,913
FY/03 Original	36,599	339,232	336,488	(39,228)	115
FY/03 Revised	36,599	328,962	329,605	(37,216)	(1,260)
FY/03 Estim ated	36,599	328,409	333,255	(28,436)	3,317
FY/04 Budget	31,753	349,566	350,806	(30,489)	24

GENERAL FUND- 110

Positive growth in the General Fund operating budget continues with the need to service a growing city. The capital program continues to push up expenditures, with the opening of facilities like multipurpose centers, libraries, police substations, and fire stations. Additionally, debt service demands placed an increasing burden on the General Fund in FY/04 as did employee health and other insurance costs.



- General Fund reserve policy changed to establish an operating reserve at 8.3% (1/12th) total appropriations, rather than 5% of recurring revenue. Additionally, there are no longer funds designated for future appropriations.
- The total reserve level is set at \$29.8 million for FY/04 (including a Corrections reserve of \$334 thousand). This reflects an increase of \$2 million from the FY/03 estimated actual level, and \$9.6 million over the FY/03 Budget.

A complete analysis of changes in both revenues and appropriations follows.

(\$000's)	ACTUAL FY/02	ORIGINAL BUDGET FY/03	REVISED BUDGET FY/03	ESTIMATED ACTUAL FY/03	APPROVED BUDGET FY/04	APPR 04/ EST ACT 03 CHG
RESOURCES:						
Recurring Revenues	314,329	336,672	325,562	325,849	346,791	20,942
% Change	0.1%	7.1%	-3.3%	0.1%	6.4%	
Non Recurring Revenues	3,251	2,560	3,400	2,560	2,775	215
Total Current Resources	317,580	339,232	328,962	328,409	349,566	21,157
Beginning Fund Balance	40,183	36,599	36,599	36,599	31,753	(4,846)
TOTAL RESOURCES	357,763	375,831	365,561	365,008	381,319	16,311
APPROPRIATIONS:						
Recurring Expenditures/Appropriations	317,400	335,017	328,050	331,700	347,821	16,121
% Change	0.4%	5.6%	-2.1%	1.1%	4.9%	
Non Recurring Expenditures/Appropriations	3,764	1,471	1,555	1,555	2,985	1,430
TOTAL APPROPRIATIONS	321,164	336,488	329,605	333,255	350,806	17,551
FUND BALANCE PER CAFR	36,599	39,343	35,956	31,753	30,513	(1,240)
ADJUSTMENTS TO FUND BALANCE	(18,525)	(19,025)	(19,025)	(678)	(678)	0
TOTAL RESERVES	16,161	20,203	18,191	27,758	29,811	2,053
AVAILABLE FUND BALANCE	1,913	115	(1,260)	3,317	24	(3,293)

GENERAL FUND REVENUE ESTIMATES FOR FY/04

General Fund (GF) revenues for FY/04, including all proposed fee increases and tax changes, are expected to increase 6.4% to \$349.6 million, with \$2.78 million in non-recurring receipts. This represents an increase in total revenues of \$21.2 million above the current estimate of FY/03 revenues. The largest source of growth—\$8.7 million—comes from increases in gross receipts taxes. The Albuquerque economy continues to grow but at a slow rate. Construction employment, after declining substantially in FY/03 as the BIG-I project ended, held its own mostly through residential construction. In FY/04, slowdowns in single-family construction are expected as interest rates begin to increase.

Estimated franchise fees in FY/04 are \$637 thousand below the estimated FY/03 revenues; due to one-time receipts in FY/03. Recurring franchise revenues will increase by 3%. A full year of revenue from the new PNM natural gas franchise increases revenue, but this is partially offset by an electric rate decrease of 4% effective in September 2003. Expected property tax revenues increase \$8 million with growth of 2.5% plus \$7.4 million from the shift of one-mill in the capital levy to the operational levy. Payments in Lieu of Taxes (PILOT) revenues are expected to increase \$256 thousand from growth in enterprise funds.

Intergovernmental assistance, other than State-shared gross receipts tax revenues, has little growth. Bernalillo County shared revenues and vehicle excise shared revenues show no growth. The slow growth of the shared gasoline tax revenue is anticipated to only offset expected declines in the cigarette tax revenue. There is a \$500 thousand increase as the state legislature increased the fee and the local distribution of the corrections fee.

There are moderate proposals for increases in fees for services. Charges for services are expected to generate about \$17.9 million, an increase of \$1.7 million from the FY/03 estimated actual. A more complete list of major changes and new fee structures is provided below.

Charges for internal services continue to decline as the City reduces its direct provision of office services, building alteration, surveying, and engineering inspections. These services are available from the private sector and can reduce operating costs significantly. Indirect overhead increases by only \$575 thousand primarily from wage increases in the funds that pay indirect charges. CIP revenues will increase \$1.75 million to fund positions supporting capital program projects. The new positions covered are in park development, public works and cultural projects including the Animals of Africa exhibit, Balloon Museum, and support of the silvery minnow. Recurring interfund transfers increase with additional transfers from the water utility to fund computer programmers in support of the utility billing system. There are two one-time transfers one from Environmental Health to clean out a trust and agency account and one from the City/County Project Fund to reduce that fund balance.

SIGNIFICANT REVENUE CHANGES FOR FY/04 (\$000's)

Following is a description of the major changes in the GF revenue expectations for FY/04. A description of changes in fees and charges is provided. Additional information is included in the revenue section following consolidated tables.

GROSS RECEIPTS TAX

Net Growth from FY/03 Estimated Actual	\$8,672
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LOCAL TAXES

Net change franchise	(\$637)
Recurring franchise increase	\$534
Property tax shift of one mill and increase in base	\$8,000

INTERGOVERNMENTAL REVENUES

The state legislature increased the court correction center charges \$500.

PERMITS AND LICENSES

Building permits fees expected to decline by 10% (\$808)

CHARGES FOR SERVICES

Increase in entrance fee to the Art Museum	\$43
Increased attendance for the new Animals of Africa exhibit	\$200
Preferred vendor fees for full year at the convention center.	\$168
Increase in the overhead charged for police Chief's overtime	\$34
Increase in Tennis lessons fee	\$70
Increase of 10% in adult sports fees	\$41
Latchkey fee increases	\$327
Child care fee increase	\$157
Increase in attorney legal fees collected from risk management	\$430

CIP FUNDED POSITIONS

Park development and design	\$543
Public Works street programs	\$530
Balloon Museum construction oversight	\$220
Special Cultural Projects	\$350

INTERNAL SERVICES

Continued reduction in revenues for inspections and surveying (\$55)

INTERFUND TRANSFERS

One-time transfer from Environmental Health trust and agency account	\$58
One-time transfer from City/County project fund	\$242
Transfer from water utility to fund utility billing system programmers	\$312

DETAIL OF ADJUSTMENTS TO FEES AND CHARGES

Parks and Recreational Services

Fees per team for sports will increase by \$41 thousand as follows:

	Sport Current Fee	Proposed 2004 Fees	Difference	% Increase
Spring Softball	\$360.00	\$396.00	\$36.00	10.00%
Summer Softball	\$720.00	\$792.00	\$72.00	10.00%
Baseball	\$720.00	\$792.00	\$72.00	10.00%
Fall Softball	\$450.00	\$495.00	\$45.00	10.00%
Flag Football	\$550.00	\$605.00	\$55.00	10.00%
Basketball	\$420.00	\$462.00	\$42.00	10.00%

Cultural Services

Admission fees to the Albuquerque Museum are increased \$1.00 for adults and seniors. Admission will be \$3 for adults and \$2 for seniors. Admissions for children 4 to 12 remains at \$1, and out of state adults continue to pay an additional \$1.

Family and Community Services

Child-care fees will increase by \$157 thousand as follows:

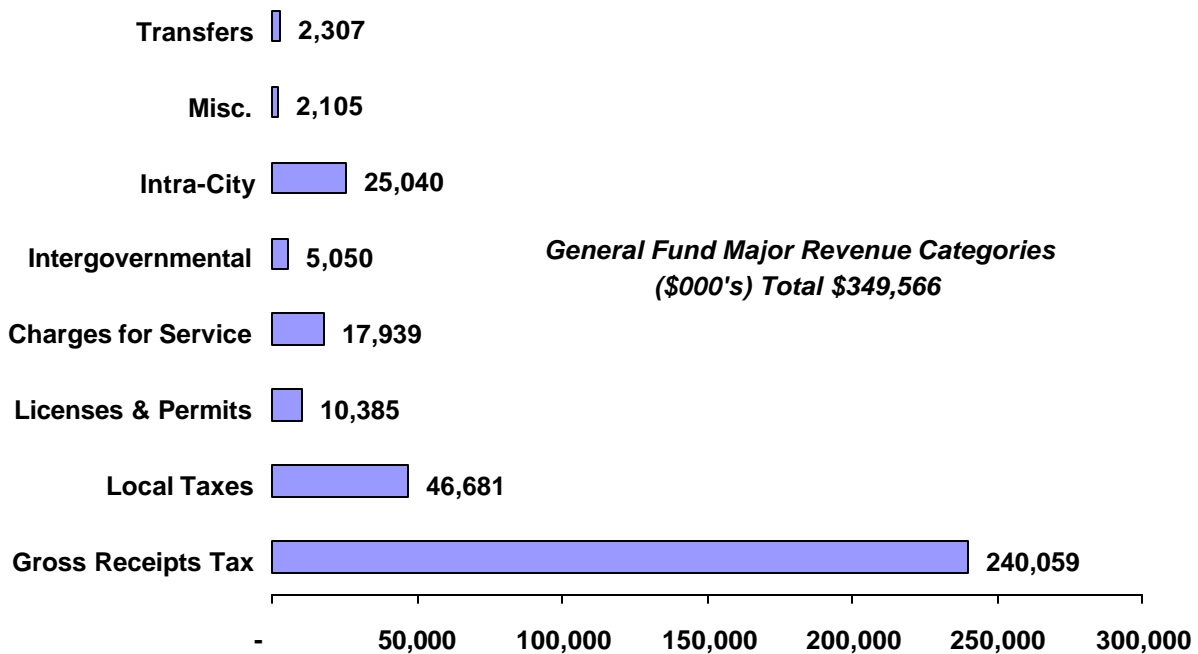
Eligible families on the lower end of the income eligibility scale will pay \$25/Week - an increase of \$5.00. Eligible families on the higher end of the income eligibility scale will pay \$39/Week - an increase of \$7.00. Non-Eligible families will pay \$65/Week - an increase of \$10.00.

Latchkey and Playground fees will increase to \$327 thousand as follows.

Latchkey is the morning program and playground is the afternoon service. All families will pay a registration fee of \$10/Child. Previously no registration fee was assessed. Service from 7AM to 9AM and from 3PM to 6PM will be \$20.00 per week for non-income eligible families (no change) and \$5.00 per week for income eligible families (previously no charge). Playground only, 3PM to 6PM, will increase to \$10.00 per week for non-income eligible families and to \$5.00 per week for income eligible families (previously no charge).

Summer program fee schedule will also change. All families will pay a registration fee of \$10/Child - previously no registration fee was assessed. Any participation in the summer latchkey program will be \$20.00/week where previously no fee was charged between the core hours of 9AM to 3PM.

GENERAL FUND REVENUE SOURCES

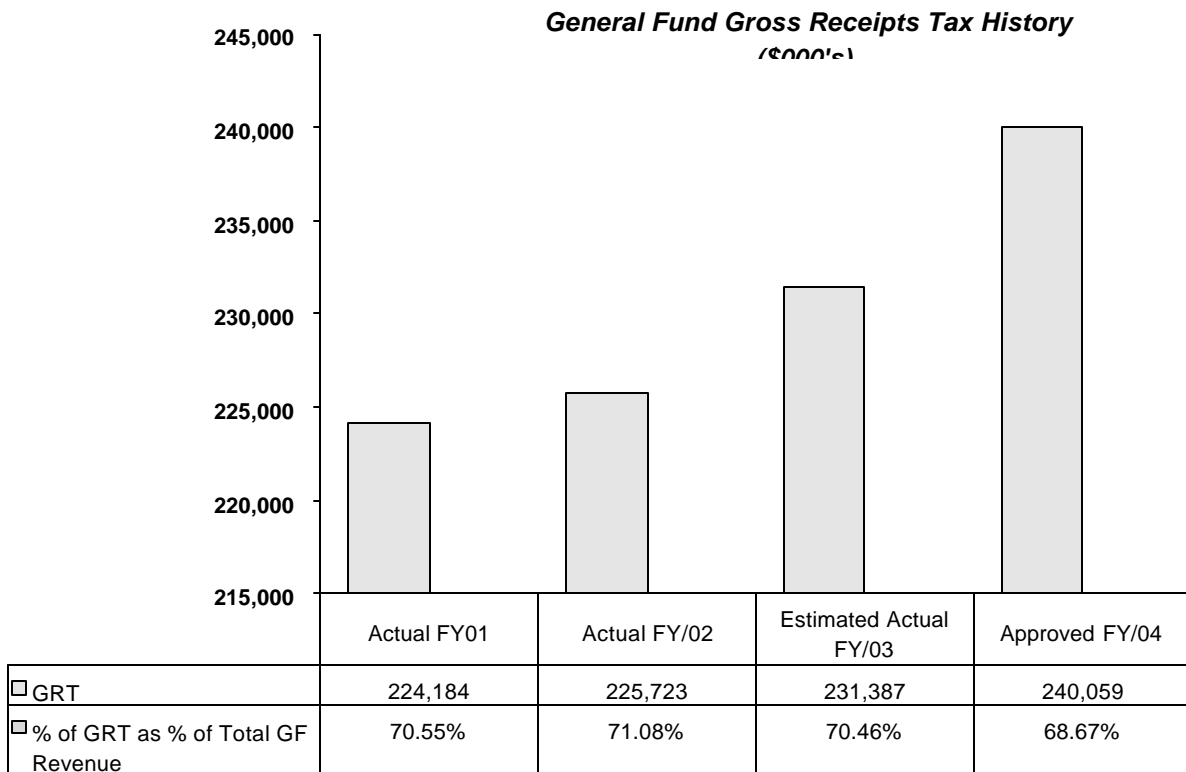


General Fund Revenue by Percent by Source

(\$000's)

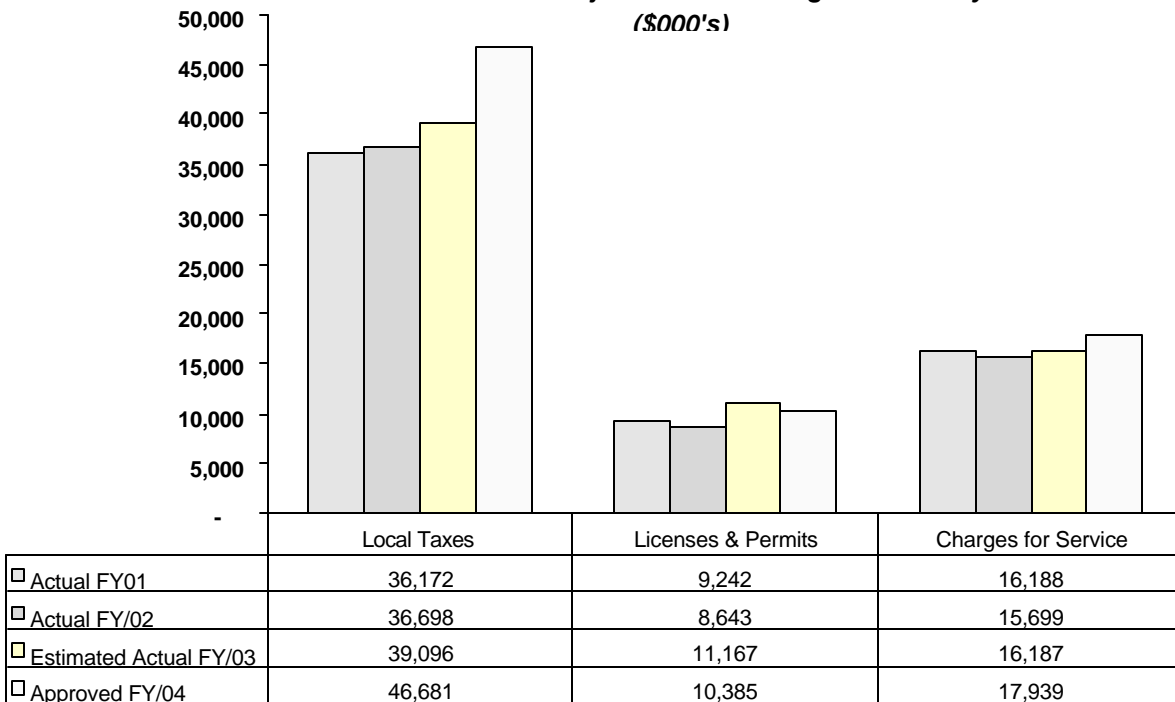
Revenue Source	Actual FY01	%of Total	Actual FY/02	%of Total	Estimated Actual FY/03	%of Total	Approved FY/04	%of Total
Gross Receipts Tax	224,184	70.55%	225,723	71.08%	231,387	70.46%	240,059	68.67%
Local Taxes	36,172	11.38%	36,698	11.56%	39,096	11.90%	46,681	13.35%
Licenses & Permits	9,242	2.91%	8,643	2.72%	11,167	3.40%	10,385	2.97%
Charges for Service	16,188	5.09%	15,699	4.94%	16,187	4.93%	17,939	5.13%
Intergovernmental	4,353	1.37%	4,863	1.53%	4,529	1.38%	5,050	1.44%
Intra-City	20,209	6.36%	20,938	6.59%	22,737	6.92%	25,040	7.16%
Misc.	3,761	1.18%	1,580	0.50%	1,703	0.52%	2,105	0.60%
Transfers	3,663	1.15%	3,436	1.08%	1,603	0.49%	2,307	0.66%
Total	317,774	100.00%	317,581	100.00%	328,409	100.00%	349,566	100.00%

GENERAL FUND REVENUE TRENDS



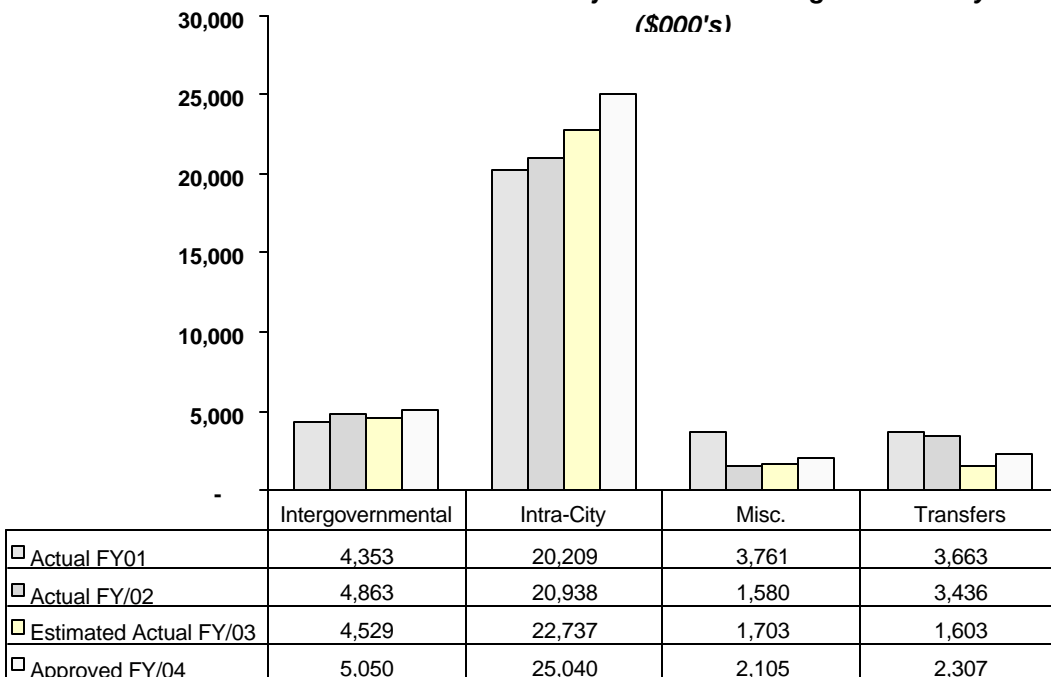
The City of Albuquerque, like most municipal governments in New Mexico depends upon the GRT for nearly 70% of GF revenue. Although total revenue from GRT has increased over the past four years, the share of total revenue contributed has decreased from 71% to 69%.

General Fund Major Revenue Categories History
(\$000's)



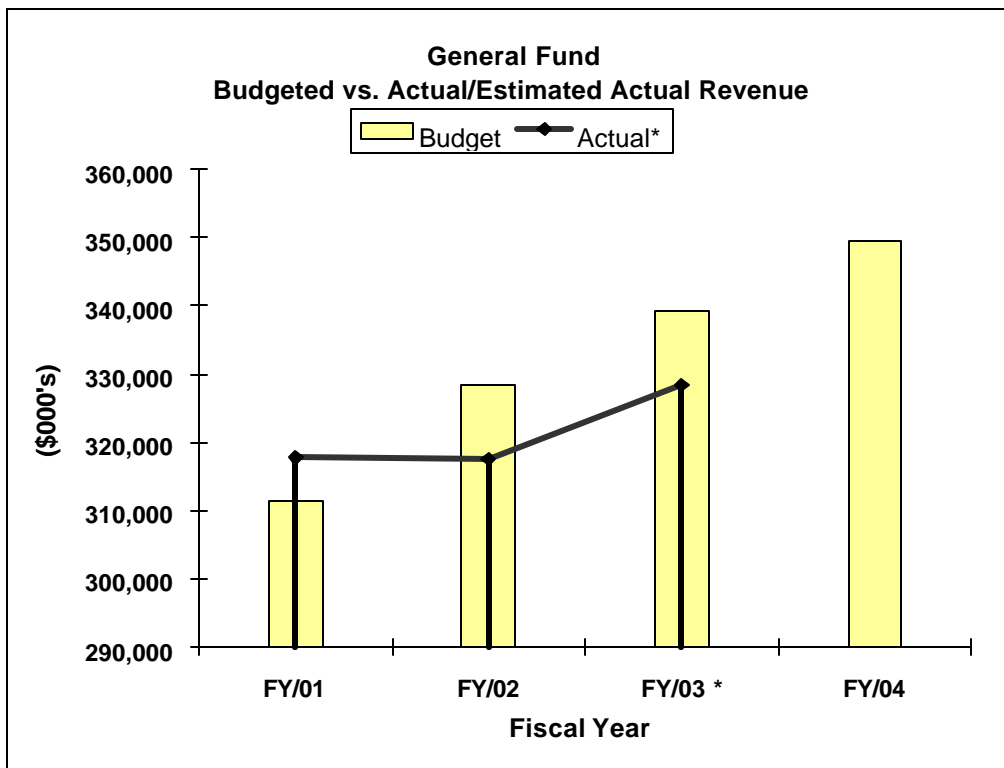
Local taxes significantly increased in FY/04 as a result of shifting one mill of property tax from debt service to operations. This shift will constrain growth in the general obligation bond program that finances capital projects, but will have a recurring revenue benefit to the GF. Charges for service have demonstrated modest growth due to fee increases discussed earlier.

General Fund Major Revenue Categories History
(\$000's)



PRIOR YEAR REVENUE CHANGES

Revenues for FY/03 are now expected to be \$328.4 million or \$10.8 million below the approved FY/03 budget. A series of events caused this shortfall in revenues. The economy slowed substantially at the end of FY/02 and the base for FY/03 declined. In the Five-Year Forecast, FY/03 revenues were adjusted downward with the largest declines coming from GRT revenues (\$6 million) and interest earnings (\$1.2 million). Additional losses are expected due to weaknesses in charges for services and in permits. Charges for services are \$2.1 million below the approved budget with growth of only 3% above FY/02. This substantial decline is in large part the result of decreased visitation to City venues. Revenues from several additional sources slowed this year. In permits and fees, an expected new restaurant inspection ordinance with fee increases was not enacted, and animal license fee collections were down. The cable franchise agreement was also renegotiated, and the City received a \$1.1 million advance on future revenues. The natural gas franchise was renegotiated, and the first revenues were received in February. The revenues from building permits are much stronger as revenues increased an average of 30%, indicating construction has not slowed as anticipated. The forecast now estimates that construction activity will increase about 8% above the FY/02 levels and revenues will increase 38%. Charges for surveying and inspections were down more than expected.



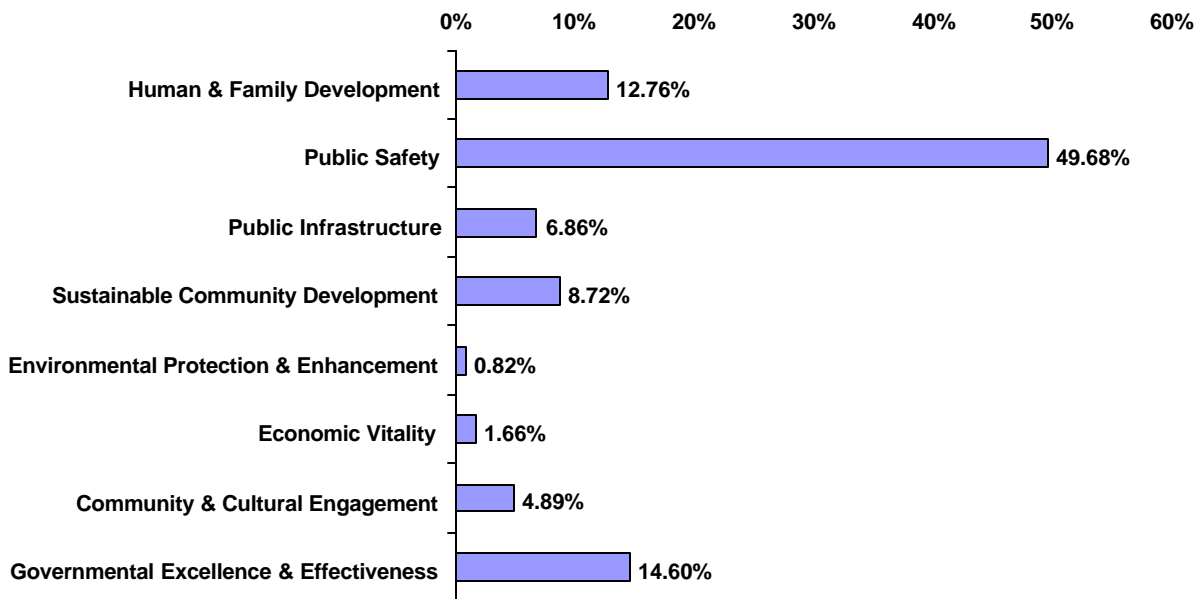
* FY/03 is Estimated Actual

GENERAL FUND FY/04 APPROPRIATIONS

This is the fourth year that appropriations have been aligned with the City's Five-Year Goals for resource allocation and performance measurement. The method of accounting has also been changed to reflect the same alignment of expenses in the audit beginning with FY/01.

The total GF appropriation is \$350.8 million before interfund eliminations and \$299.9 million after eliminations. The before elimination appropriation is an increase over the FY/03 original budget of \$14.3 million (4.3%), and \$10.3 million (3.6%) above the budget after eliminations.

General Fund FY/04 Appropriations By Goal



(000's)

Goal in Numerical Order		
Human & Family Development	\$38,288	12.76%
Public Safety	\$149,011	49.68%
Public Infrastructure	\$20,573	6.86%
Sustainable Community Development	\$26,151	8.72%
Environmental Protection & Enhancement	\$2,470	0.82%
Economic Vitality	\$4,992	1.66%
Community & Cultural Engagement	\$14,666	4.89%
Governmental Excellence & Effectiveness	\$43,797	14.60%
Total	\$299,948	100.00%

The chart above shows how the GF dollars are divided between the goals. In the GF, Public Safety receives 50%, of total appropriations. The second highest allocation of funds is to Governmental Excellence and Effectiveness at 15% followed by Human and Family Development at 13%. Sustainable Community Development accounts for 9% of the GF, Public Infrastructure receives 7% and Community and Cultural Engagement receives 5%.

It should be noted that these percentages are only from the amount of GF monies allocated to the various goals. To determine total resources available for a goal, please see the discussion of total resources and total appropriations in a previous section of this document.

SIGNIFICANT APPROPRIATION CHANGES BY DEPARTMENT (\$000's)

CAO

- Funding for the biennial Municipal election and replace a 20-year-old van \$385
- Additional funding in OED for contracts, travel and a clerical position \$280
- Funding provided to add two International Trade in Albuquerque positions \$123
- Funding reduced for the equivalent of one vacant position in OMB (\$69)
- Additional 1% reduction per Council amendment (\$52)
- Two positions moved from the Mayor's Office \$130

CITY SUPPORT FUNCTIONS

City Support Functions is a pseudo department that contains many programs that benefit not just one department or service, but the City as a whole.

- FY/04 appropriations for City/County unification reduced by amount expended in FY/03 (\$50)
- Increase in Dues and Memberships \$10
- Joint Committee on Intergovernmental Legislative Relations is increased to match existing contracts \$39
- Transfer for Vehicle/Computer Replacement Fund eliminated (\$1,500)
- Early Retirement funding is increased and budgeted based on anticipated retirement levels and recent retirement expenditure trends \$935
- Debt service for sales tax and lodgers' tax \$1,502
- Increase for anticipated City matching funds for operating grants \$952

CONVENTION CENTER

- Eight vacant positions deleted (\$329)

COUNCIL SERVICES

- 1 % reduction per Council Amendment (\$16)

CULTURAL SERVICES

- Funding for balloon museum curator and operating costs \$93
- Funding provided for museum expansion costs \$111
- Temporary wages for Animals of Africa and Tingley Beach Project \$289
- Funding for Casa San Isidro restored for a full year pending an intergovernmental agreement for joint operations \$130
- Reduction of personnel and operating expense in Strategic Support (\$39)

- Reduction of personnel and operating expense in Community Events (\$167)
- Reduction of personnel costs in Bio Park (\$215)
- Reduction of personnel and operating expense at the Museum (\$71)
- Reduction of personnel and operating expense at Libraries (\$380)

ENVIRONMENTAL HEALTH

- Reduction of personnel in Consumer Health and Environmental Services (\$458)
- Animal Services personnel reduced to offset cost of low income spay neuter (\$142)
- Fund Low Income Spay Neuter \$200

FAMILY & COMMUNITY SERVICES

- Social services contracts are reduced (\$257)

FINANCE & ADMINISTRATIVE SERVICES

- Reorganization of Treasury Services (\$104)
- Consolidation of Security Services (\$208)
- Personnel and operational savings (\$164)
- Increase in transfers to City/County and Plaza Del Sol Building \$427

FIRE

- Funding for cadet class for Station 21 scheduled to open August 2004 \$120
- Annualize Phases II & III, plus the final Phase IV PERA increases for all firefighters negotiated in the FY/01 union contract \$1,152
- Create two positions, a mechanic and grant writer \$63

HUMAN RESOURCES

- Deleted vacant sr. office assistant (\$33)
- Eliminate funding for temporary position (\$12)

LEGAL

- Addition of six-member litigation unit \$431
- Funding for two Metro Court traffic arraignment attorneys \$112

MAYOR'S OFFICE

- Additional 1% reduction as per Council (\$5)
- Two positions moved to the CAO's Office (\$130)

PARKS & RECREATION

- Funding for 13 vacant positions (\$350 thousand) is converted to contractual service for a managed competition of park maintenance at select City parks -0-
- Funding increased for irrigation water and meter charges & supplies \$559
- Vacant position is deleted in Strategic Support (\$33)
- Funding provided to repair the LA landfill/Balloon Fiesta RV park \$100

PLANNING

- Position increases primarily in One Stop Shop \$517
- Combine activities in Code Enforcement (\$163)

POLICE

- 30 police officers off COPS grants \$1,199
- Two cadet classes and two lateral classes \$959
- 19 additional police service aides \$457
- Fully fund school crossing guards \$252
- Fully fund part-time, retired officers \$320
- Delete three civilian positions \$(106)
- Fully fund AFIS contract \$138

PUBLIC WORKS

- The transfer to Fund 305 for Basic Services is decreased (\$3,591)
- Position reductions (\$1,015)

SENIOR AFFAIRS

- Additional funding for Manzano Mesa Multi-Generational Center and gymnasium \$129
- Personnel reductions (\$48)

TRANSIT / PARKING TRANSFER

- Transfer increased \$543

NON-RECURRING APPROPRIATIONS

One-time appropriations of \$3.0 million are listed to support the total non-recurring appropriations in the General Fund budget. Many are included in highlights already mentioned and should not be considered additive to the previous numbers. Numbers are rounded to the nearest thousand.

➤ Capital for the new Metropolitan Detention Center facility	\$90
➤ Municipal election in FY/04	\$363
➤ Capital for City Clerk to replace 20-year-old van for records	\$22
➤ Quarter Cent Transportation Tax for Streets employees	\$1,380
➤ Quarter Cent Transportation Tax for design of trails	\$56
➤ Funding for City/County Unification Committee	\$100
➤ Five residential building inspectors (Planning)	\$229
➤ Funding for Fire cadet class	\$120
➤ Vehicle for Open Space Fund	\$37
➤ Funding for APD for lateral police class vehicles	\$588